

CITY OF ALBIA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020

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City of Albia

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Clark	Mayor	January 1, 2020
Merle Regenold	Council Member	January 1, 2020
Scott Kelly	Council Member	January 1, 2022
Brian Bell	Council Member	January 1, 2020
Kathy Mobley	Council Member	January 1, 2020
Gene Behrens	Council Member	January 1, 2020
Dennis Conley	Council Member	January 1, 2022
Linda Heller	City Clerk/Treasurer	Indefinite
Breckenridge Law P.C.	Attorney	Indefinite

(After January 2020)

Richard Clark	Mayor	January 1, 2022
Merle Regenold	Council Member	January 1, 2024
Scott Kelly	Council Member	January 1, 2022
Brandon Williams	Council Member	January 1, 2024
Kathy Mobley	Council Member	January 1, 2022
Gene Behrens	Council Member	January 1, 2024
Dennis Conley	Council Member	January 1, 2022
Linda Heller	City Clerk/Treasurer	Indefinite
Breckenridge Law P.C.	Attorney	Indefinite

Library Board

Sally Bachman	Library Trustee	July 1, 2020
Lois Mick	Library Trustee	July 1, 2020
Melinda Montgomery	Library Trustee	July 1, 2020
Ron Honeke	Library Trustee	July 1, 2020
Sharon Crall	Library Trustee	July 1, 2020
Sue Goode	Library Trustee	July 1, 2020
Joe Starcevic	Library Trustee	July 1, 2023
Richard Grimes	Library Trustee	July 1, 2024
Dave Paxton	Library Trustee	July 1, 2024

Cemetery Board

Terri Bender	Cemetery Trustee	July 1, 2020
Ann Donnelson	Cemetery Trustee	July 1, 2020
Lisa Griener	Cemetery Trustee	July 1, 2020
Dewayne Repp	Cemetery Trustee	July 1, 2020
Lennie Toopes	Cemetery Trustee	July 1, 2022
Bob Sinnott	Cemetery Trustee	July 1, 2022
Scott Kelly	Cemetery Trustee	July 1, 2024

City of Albia



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa, (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require financial data for these component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and the cash basis balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2020, or the changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the two years ended June 30, 2012 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 25 through 29 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 28, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Faller, Kincheloe & Co., PLC

FALLER, KINCHELOE & CO., PLC

December 28, 2020

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 873,654	17,170	87,624	-	(768,860)	-	(768,860)
Public works	922,617	707	494,235	-	(427,675)	-	(427,675)
Culture and recreation	604,195	71,371	114,387	-	(418,437)	-	(418,437)
Community and economic development	200,845	-	-	-	(200,845)	-	(200,845)
General government	677,902	31,307	47,466	-	(599,129)	-	(599,129)
Debt service	553,230	-	-	-	(553,230)	-	(553,230)
Total governmental activities	3,832,443	120,555	743,712	-	(2,968,176)	-	(2,968,176)
Business type activities:							
Sewer	1,216,521	614,293	-	22,500	-	(579,728)	(579,728)
Airport	11,617	14,527	-	-	-	2,910	2,910
Landfill	17,460	16,465	-	-	-	(995)	(995)
Total business type activities	1,245,598	645,285	-	22,500	-	(577,813)	(577,813)
Total	\$ 5,078,041	765,840	743,712	22,500	(2,968,176)	(577,813)	(3,545,989)
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					1,326,859	-	1,326,859
Debt service					527,207	-	527,207
Local option sales tax					432,454	-	432,454
Hotel/Motel tax					30,684	-	30,684
Unrestricted interest on investments					19,073	-	19,073
Rent					3,600	-	3,600
Interim revenue project notes					-	549,029	549,029
Transfers					23,148	(23,148)	-
Total general receipts and transfers					2,363,025	525,881	2,888,906
Change in cash basis net position					(605,151)	(51,932)	(657,083)
Cash basis net position beginning of year					4,735,794	408,971	5,144,765
Cash basis net position end of year					\$ 4,130,643	357,039	4,487,682
Cash Basis Net Position							
Restricted:							
Nonexpendable:							
Cemetery perpetual care					\$ 94,675	-	94,675
Expendable:							
Insurance					83,838	-	83,838
Debt service					72,413	-	72,413
Other purposes					3,476,925	-	3,476,925
Unrestricted					402,792	357,039	759,831
Total cash basis net position					\$ 4,130,643	357,039	4,487,682

See notes to financial statements.

City of Albia

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue						Total
	General	Road Use Tax	Aquatic Center	Employee Benefits	Debt Service	Nonmajor	
Receipts:							
Property tax	\$ 842,925	-	-	483,934	527,207	-	1,854,066
Other city tax	463,138	-	-	-	-	-	463,138
Licenses and permits	33,082	-	-	-	-	-	33,082
Use of money and property	9,645	-	10,985	-	-	2,044	22,674
Intergovernmental	105,656	484,076	-	-	-	2,047	591,779
Charges for service	58,605	-	-	-	-	-	58,605
Miscellaneous	122,628	-	-	16,495	-	41,677	180,800
Total receipts	1,635,679	484,076	10,985	500,429	527,207	45,768	3,204,144
Disbursements:							
Operating:							
Public safety	655,806	-	-	214,437	-	3,411	873,654
Public works	64,889	733,466	-	124,262	-	-	922,617
Culture and recreation	367,077	-	166,519	61,953	-	8,646	604,195
Community and economic development	200,845	-	-	-	-	-	200,845
General government	606,339	-	-	71,563	-	-	677,902
Debt service	-	-	-	-	553,230	-	553,230
Total disbursements	1,894,956	733,466	166,519	472,215	553,230	12,057	3,832,443
Excess (deficiency) of receipts over (under) disbursements	(259,277)	(249,390)	(155,534)	28,214	(26,023)	33,711	(628,299)
Other financing sources (uses):							
Transfers in	7,302	-	111,922	-	28,445	46,682	194,351
Transfers out	(132,020)	(31,881)	-	-	-	(7,302)	(171,203)
Total other financing sources (uses)	(124,718)	(31,881)	111,922	-	28,445	39,380	23,148
Change in cash balances	(383,995)	(281,271)	(43,612)	28,214	2,422	73,091	(605,151)
Cash balances beginning of year	881,470	269,500	2,798,010	340,132	69,991	376,691	4,735,794
Cash balances end of year	\$ 497,475	(11,771)	2,754,398	368,346	72,413	449,782	4,130,643
Cash Basis Fund Balances							
Nonspendable:							
Cemetery perpetual care	\$ -	-	-	-	-	94,675	94,675
Restricted for:							
Insurance	83,838	-	-	-	-	-	83,838
Debt service	-	-	-	-	72,413	-	72,413
Other purposes	-	-	2,754,398	368,346	-	354,181	3,476,925
Assigned	277,612	-	-	-	-	926	278,538
Unassigned	136,025	(11,771)	-	-	-	-	124,254
Total cash basis fund balances	\$ 497,475	(11,771)	2,754,398	368,346	72,413	449,782	4,130,643

See notes to financial statements.

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Use of money and property	\$ -	14,527	14,527
Charges for service	614,293	16,465	630,758
Total operating receipts	614,293	30,992	645,285
Operating disbursements:			
Business type activities	350,593	29,077	379,670
Total operating disbursements	350,593	29,077	379,670
Excess of operating receipts over operating disbursements	263,700	1,915	265,615
Non-operating receipts (disbursements):			
Intergovernmental	22,500	-	22,500
Interim revenue project notes	549,029	-	549,029
Capital projects	(865,928)	-	(865,928)
Net non-operating receipts (disbursements)	(294,399)	-	(294,399)
Excess (deficiency) of receipts over (under) disbursements	(30,699)	1,915	(28,784)
Other financing sources (uses):			
Transfers in	-	5,297	5,297
Transfers out	(28,445)	-	(28,445)
Total other financing sources (uses)	(28,445)	5,297	(23,148)
Change in cash balances	(59,144)	7,212	(51,932)
Cash balances beginning of year	364,979	43,992	408,971
Cash balances end of year	\$ 305,835	51,204	357,039
Cash Basis Fund Balances			
Unrestricted	\$ 305,835	51,204	357,039
Total cash basis fund balances	\$ 305,835	51,204	357,039

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Albia (City) is a political subdivision of the State of Iowa located in Monroe County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides sewer utilities and airport services for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Units

The Albia Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

Pursuant to Chapter 501B of the Code of Iowa, the Fire/Rescue Association of Albia, Iowa (Association) is an unincorporated nonprofit association. The Association exists for charitable purposes in support of the City of Albia Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Association are substantially for the direct benefit of the City of Albia Fire Department.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

Related Organization

The City Council members are also responsible for appointing the members of the Low Rent Housing Board, but the City's accountability for this organization does not extend beyond making the appointments.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Aquatic Center Fund is used to account for the local option sales tax collections to be used for the related costs associated with the aquatic center.

The Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary fund:

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 72.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) **Long-term Debt**

A summary of changes in bonds and notes payable and other debt payable for the year ended June 30, 2020 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 2,415,000	-	490,000	1,925,000	390,000
Installment Contract	1,392,000	-	87,000	1,305,000	87,000
Governmental activities total	<u>\$ 3,807,000</u>	<u>-</u>	<u>577,000</u>	<u>3,230,000</u>	<u>477,000</u>
Business type activities:					
Interim Revenue Project Notes	49,340	549,029	-	598,369	-
Business-type activities total	<u>\$ 49,340</u>	<u>549,029</u>	<u>-</u>	<u>598,369</u>	<u>-</u>

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Bonds			Corporate Purpose and Refunding Bonds			Total		
	Issued June 1, 2012			Issued May 22, 2018					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	1.70%	\$ 195,000	15,215	3.00%	\$ 195,000	32,850	390,000	48,065	438,065
2022	1.90%	200,000	11,900	3.00%	190,000	28,000	390,000	39,900	429,900
2023	2.00%	200,000	8,100	3.00%	80,000	22,300	280,000	30,400	310,400
2024	2.00%	205,000	4,100	3.00%	85,000	19,900	290,000	24,000	314,000
2025	-	-	-	3.00%	85,000	17,350	85,000	17,350	102,350
2026	-	-	-	3.00%	90,000	14,800	90,000	14,800	104,800
2027	-	-	-	3.00%	100,000	12,100	100,000	12,100	112,100
2028	-	-	-	3.00%	100,000	9,100	100,000	9,100	109,100
2029	-	-	-	3.10%	100,000	6,100	100,000	6,100	106,100
2030	-	-	-	3.10%	100,000	3,100	100,000	3,100	103,100
		<u>\$ 800,000</u>	<u>39,315</u>		<u>\$1,125,000</u>	<u>165,600</u>	<u>1,925,000</u>	<u>204,915</u>	<u>2,129,915</u>

On June 1, 2012, the City issued \$2,780,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 0.35% to 2.00% per annum. The bonds were issued to current refund the City's outstanding \$520,000 General Obligation Corporate Purpose Bonds, Series 2002, advance refund the City's outstanding \$1,345,000 General Obligation Corporate Purpose Bonds, Series 2006, its outstanding \$250,000 General Obligation Street Improvement Bonds, Series 2007, and pay the costs associated with the issuance of the Bonds. During the year ended June 30, 2020, the City paid \$190,000 of principal and \$18,065 of interest on the bonds.

On May 22, 2018, the City issued \$1,675,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 3.00% to 3.10% per annum. The bonds were issued to refund the outstanding amount of its \$670,000 General Obligation Street Improvement Bonds, Series 2009, its \$845,000 General Obligation Corporate Purpose Bonds, Series 2010, construct street improvements, and pay the costs associated with the issuance of the bonds. During the year ended June 30, 2020, the City paid \$300,000 of principal and \$42,950 of interest on the bonds.

Installment Contract

A summary of the City's June 30, 2020 installment contract payable is as follows:

Year Ending June 30,	Installment Contract		Total	
	Principal	Interest	Principal	Interest
2021	\$ 87,000	-	87,000	-
2022	87,000	-	87,000	-
2023	87,000	-	87,000	-
2024	87,000	-	87,000	-
2025	87,000	-	87,000	-
2026-2030	435,000	-	435,000	-
2031-2035	435,000	-	435,000	-
	<u>\$ 1,305,000</u>	<u>-</u>	<u>1,305,000</u>	<u>-</u>

The City entered into an installment contract with Monroe County for the construction of a new public safety building. The public safety building is owned by Monroe County. The agreement is non-interest bearing and is payable in annual installments of \$87,000 through July 1, 2034. The total balance due in relation to this installment contract at June 30, 2020 was \$1,305,000.

Interim Revenue Project Notes

On December 14, 2018, the City entered into an interest free interim revenue project note agreement with the Iowa Finance Authority for up to \$790,000 to be used for the purpose of paying costs of planning, designing and constructing improvements and extensions to the sanitary sewer system. During the year ended June 30, 2020, the City drew \$549,029 on the notes, and as of June 30, 2020, \$598,369 is owed in relation to these notes. These notes are due on December 14, 2021.

This note was issued pursuant to Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of and are payable from the proceeds of an authorized loan agreement and the corresponding issuance of sewer revenue bonds. The interim revenue project notes have a term of three years.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$79,721.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$379,994 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0065622%, which was a decrease of 0.000139% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$108,631, \$97,648 and \$122,356, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	5.60 %
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	6.01
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 876,559	379,994	(36,267)

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$293,814 and plan members eligible for benefits contributed \$0 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>17</u>
Total	<u><u>17</u></u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2020 primarily relating to the General Fund, was \$47,808. The liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Library	<u>\$ 7,302</u>
Special Revenue: Aquatic Center	General	<u>111,922</u>
Special Revenue: Cooper Estate Bequest	Special Revenue: Road Use Tax	<u>26,584</u>
Special Revenue: Library	General	<u>1,690</u>
Debt Service	Enterprise: Sewer	<u>28,445</u>
Capital Projects	General	<u>18,408</u>
Enterprise: Airport	Special Revenue: Road Use Tax	<u>5,297</u>
Total		<u><u>\$ 199,648</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Interfund Loans

During the year ended June 30, 2017, the Special Revenue, Aquatic Center Fund loaned \$160,000 to the Rural Fire Fund (a sub account of the General Fund) to purchase a vehicle. This loan will be repaid from the Rural Fire Fund. The interest rate on this loan is 2% and will be repaid over 15 years. The City repaid \$111,922 in principal on this loan during the year ended June 30, 2020. The principal balance on this loan at June 30, 2020 was \$29,424.

During the year ended June 30, 2018, the Special Revenue, Cooper Estate Bequest Fund and the Enterprise, Airport Fund loaned \$133,000 and \$26,500, respectively, to the Special Revenue, Road Use Tax Fund to purchase a street sweeper. This loan will be repaid from the Special Revenue, Road Use Tax Fund. The interest rate on this loan is 2.5% and will be repaid over 5 years. The City repaid \$34,332 in principal and interest on this loan during the year ended June 30, 2020. The balance on this loan at June 30, 2020 was \$66,172, consisting of \$55,178 due to the Special Revenue, Cooper Estate Bequest Fund and \$10,994 due to the Enterprise, Airport Fund.

(9) Related Party Transactions

The City had business transactions between the City and City officials, totaling \$9,728 during the year ended June 30, 2020.

(10) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$60,483.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Deficit Fund Balance

The Special Revenue, Road Use Tax Fund had a deficit balance of \$11,771 at June 30, 2020. The deficit balance was a result of spending monies in excess of available monies in this fund. The deficit will be eliminated from reduced spending in this fund.

(12) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2020 consists of the following:

Purpose	Amount
Cemetery	\$ 72,699
Park	11,371
Fire Protection	185,796
Community Policing	7,746
Capital Projects	926
Total	<u>\$ 278,538</u>

(13) Contingencies

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2020, the City owed approximately \$3,600 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency.

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(14) Commitments

The City has entered contracts for a sewer project and trail project. The contract amounts were for \$738,865, with no costs paid for as of June 30, 2020. These projects are expected to be completed in fiscal year 2021. The costs of these projects will be financed with existing cash reserves.

The City can borrow an additional \$191,631 from its interim revenue project notes which were issued on December 14, 2018. It is anticipated this money will be borrowed to pay engineering costs associated with the waste water treatment plant project.

In fiscal year 2020, the City was awarded a \$9,000,000 loan and an \$813,000 grant from the United States Department of Agriculture. No monies were received from the United States Department of Agriculture as of June 30, 2020. These funds will be used to pay the costs associated with the waste water treatment plant project. It is anticipated the construction on this project will begin in fiscal year 2021.

In fiscal year 2020, the City was awarded \$110,000 in grants from the United States Department of Agriculture for the purchase of equipment for the fire department and the street department. It is anticipated that these grants will be received in fiscal year 2021.

In fiscal year 2020, the City applied for a \$200,000 planning and design loan from the State of Iowa, Iowa Finance Authority.

(15) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Albia, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Albia. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Albia's operations and finances.

(16) Subsequent Events

The City issued \$1,025,000 of general obligation corporate purpose bonds in August 2020. The proceeds of this bond were used to fund various City projects.

The City has evaluated all subsequent events through December 28, 2020, the date the financial statements were available to be issued.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Albia
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

			(Unaudited) Component Unit Albia Municipal Waterworks		Budgeted Amounts		Final to Total Variance
	Governmental Funds Actual	Proprietary Funds Actual	Actual	Total	Original	Final	
Receipts:							
Property tax	\$ 1,854,066	-	-	1,854,066	1,817,979	1,817,979	36,087
Other city tax	463,138	-	-	463,138	288,830	288,830	174,308
Licenses and permits	33,082	-	-	33,082	11,800	11,800	21,282
Use of money and property	22,674	14,527	24,675	61,876	24,150	24,150	37,726
Intergovernmental	591,779	22,500	-	614,279	628,935	958,935	(344,656)
Charges for service	58,605	630,758	1,523,908	2,213,271	2,668,696	2,702,396	(489,125)
Miscellaneous	180,800	-	48,410	229,210	169,100	169,100	60,110
Total receipts	3,204,144	667,785	1,596,993	5,468,922	5,609,490	5,973,190	(504,268)
Disbursements:							
Public safety	873,654	-	-	873,654	833,139	1,183,139	309,485
Public works	922,617	-	-	922,617	622,264	972,264	49,647
Culture and recreation	604,195	-	-	604,195	554,575	604,575	380
Community and economic development	200,845	-	-	200,845	171,000	221,000	20,155
General government	677,902	-	-	677,902	437,380	452,380	(225,522)
Debt service	553,230	-	-	553,230	595,466	595,466	42,236
Capital projects	-	-	-	-	75,000	75,000	75,000
Business type activities	-	1,245,598	1,602,753	2,848,351	2,597,490	2,756,990	(91,361)
Total disbursements	3,832,443	1,245,598	1,602,753	6,680,794	5,886,314	6,860,814	180,020
Excess (deficiency) of receipts over (under) disbursements	(628,299)	(577,813)	(5,760)	(1,211,872)	(276,824)	(887,624)	(324,248)
Other financing sources (uses), net	23,148	525,881	-	549,029	-	300,000	249,029
Change in fund balances	(605,151)	(51,932)	(5,760)	(662,843)	(276,824)	(587,624)	(75,219)
Balances beginning of year	4,735,794	408,971	448,655	5,593,420	4,617,669	4,617,669	975,751
Balances end of year	\$ 4,130,643	357,039	442,895	4,930,577	4,340,845	4,030,045	900,532

See accompanying independent auditor's report.

City of Albia

Notes to Other Information - Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$974,500. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

City of Albia

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.006562%	0.006701%	0.006814%	0.006877%	0.006138%	0.005087%
City's proportionate share of the net pension liability	\$ 380	424	454	433	303	202
City's covered payroll	\$ 830	789	749	734	727	685
City's proportionate share of the net pension liability as a percentage of its covered payroll	45.78%	53.74%	60.61%	58.99%	41.68%	29.49%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Albia

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 80	81	73	69	68	68	64	61	55	53
Contributions in relation to the statutorily required contribution	(80)	(81)	(73)	(69)	(68)	(68)	(64)	(61)	(55)	(53)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 830	830	789	749	734	727	685	663	*	*
Contributions as a percentage of covered payroll	9.64%	9.76%	9.25%	9.21%	9.26%	9.35%	9.34%	9.20%	*	*

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

City of Albia

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue			Permanent		
	Cooper Estate Bequest	Police Department	Library	Capital Projects	Cemetery Perpetual Care	Total
Receipts:						
Use of money and property	\$ 2,044	-	-	-	-	2,044
Intergovernmental	-	-	2,047	-	-	2,047
Miscellaneous	-	12,319	27,774	-	1,584	41,677
Total receipts	2,044	12,319	29,821	-	1,584	45,768
Disbursements:						
Operating:						
Public safety	-	3,411	-	-	-	3,411
Culture and recreation	-	-	8,646	-	-	8,646
Total disbursements	-	3,411	8,646	-	-	12,057
Excess of receipts over disbursements	2,044	8,908	21,175	-	1,584	33,711
Other financing sources (uses):						
Transfer in	26,584	-	1,690	18,408	-	46,682
Transfer out	-	-	(7,302)	-	-	(7,302)
Total other financing sources (uses)	26,584	-	(5,612)	18,408	-	39,380
Change in cash balances	28,628	8,908	15,563	18,408	1,584	73,091
Cash balances beginning of year	58,191	22,691	220,200	(17,482)	93,091	376,691
Cash balances end of year	\$ 86,819	31,599	235,763	926	94,675	449,782
Cash Basis Fund Balances						
Nonspendable:						
Cemetery perpetual care	\$ -	-	-	-	94,675	94,675
Restricted for other purposes	86,819	31,599	235,763	-	-	354,181
Assigned for capital projects	-	-	-	926	-	926
Total cash basis fund balances	\$ 86,819	31,599	235,763	926	94,675	449,782

See accompanying independent auditor's report.

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise		
	Airport	Landfill	Total
Operating receipts:			
Use of money and property	\$ 14,527	-	14,527
Charges for service	-	16,465	16,465
Total operating receipts	14,527	16,465	30,992
Operating disbursements:			
Business type activities	11,617	17,460	29,077
Total operating disbursements	11,617	17,460	29,077
Excess (deficiency) of operating receipts over (under) operating disbursements	2,910	(995)	1,915
Other financing sources:			
Transfers in	5,297	-	5,297
Total other financing sources	5,297	-	5,297
Change in cash balances	8,207	(995)	7,212
Cash balances beginning of year	6,894	37,098	43,992
Cash balances end of year	\$ 15,101	36,103	51,204
Cash Basis Fund Balances			
Unrestricted	\$ 15,101	36,103	51,204
Total cash basis fund balances	\$ 15,101	36,103	51,204

See accompanying independent auditor's report.

City of Albia

Schedule 3

Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes -									
Corporate Purpose and Refunding Bonds	June 1, 2012	0.35 to 2.00%	\$ 2,780,000	990,000	-	190,000	800,000	18,065	-
Corporate Purpose and Refunding Bonds	May 22, 2018	3.00 to 3.10%	1,675,000	1,425,000	-	300,000	1,125,000	42,950	-
Total				<u>\$ 2,415,000</u>	<u>-</u>	<u>490,000</u>	<u>1,925,000</u>	<u>61,015</u>	<u>-</u>
Installment Contract -									
Public Safety Building	March 17, 2015	-	\$ 2,000,000	<u>1,392,000</u>	<u>-</u>	<u>87,000</u>	<u>1,305,000</u>	<u>-</u>	<u>-</u>
Interim Revenue Project Notes -									
Sewer	December 14, 2018	-	\$ 790,000	<u>49,340</u>	<u>549,029</u>	<u>-</u>	<u>598,369</u>	<u>-</u>	<u>-</u>

See accompanying independent auditor's report.

City of Albia

Schedule 4

Bond and Note Maturities

June 30, 2020

General Obligation Bonds and Notes					
Year Ending June 30,	Corporate Purpose and Refunding Bonds Issued June 1, 2012		Corporate Purpose and Refunding Bonds Issued May 22, 2018		Total
	Interest Rates	Amount	Interest Rates	Amount	
2021	1.70%	\$ 195,000	3.00%	\$ 195,000	390,000
2022	1.90%	200,000	3.00%	190,000	390,000
2023	2.00%	200,000	3.00%	80,000	280,000
2024	2.00%	205,000	3.00%	85,000	290,000
2025	-	-	3.00%	85,000	85,000
2026	-	-	3.00%	90,000	90,000
2027	-	-	3.00%	100,000	100,000
2028	-	-	3.00%	100,000	100,000
2029	-	-	3.10%	100,000	100,000
2030	-	-	3.10%	100,000	100,000
		<u>\$ 800,000</u>		<u>\$ 1,125,000</u>	<u>1,925,000</u>

See accompanying independent auditor's report.

City of Albia

Schedule 5

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Receipts:										
Property tax	\$ 1,854,066	1,835,165	1,835,717	1,855,564	1,794,534	1,604,213	1,552,838	1,499,709	1,452,512	1,404,213
Other city tax	463,138	313,708	274,087	436,044	411,415	361,372	395,807	313,002	637,070	673,919
Licenses and permits	33,082	31,004	12,785	11,902	14,512	13,358	13,694	11,249	16,218	12,716
Use of money and property	22,674	29,892	23,562	16,077	14,879	18,424	20,126	29,502	44,947	52,454
Intergovernmental	591,779	641,742	600,389	600,403	636,672	470,167	758,106	961,505	844,041	542,179
Charges for service	58,605	97,034	93,133	89,493	100,924	90,128	82,753	98,275	147,558	101,446
Miscellaneous	180,800	97,310	108,932	100,195	74,860	144,781	144,401	142,829	64,899	74,562
Total	\$ 3,204,144	3,045,855	2,948,605	3,109,678	3,047,796	2,702,443	2,967,725	3,056,071	3,207,245	2,861,489
Disbursements:										
Operating:										
Public safety	\$ 873,654	824,745	760,332	868,353	779,596	689,240	634,633	604,991	586,038	622,247
Public works	922,617	598,114	739,182	512,308	459,152	478,168	512,312	411,244	479,953	453,114
Culture and recreation	604,195	463,375	430,835	472,422	408,862	476,950	395,655	390,480	424,215	399,970
Community and economic development	200,845	118,060	181,614	154,083	501,866	40,509	7,312	7,686	10,978	749
General government	677,902	317,198	303,149	283,381	332,951	282,286	285,077	260,906	216,486	189,982
Debt service	553,230	537,797	1,282,548	516,636	469,283	524,833	510,960	1,463,962	730,569	727,495
Capital projects	-	-	879,784	57,078	1,395	72,248	102,918	1,808,641	592,173	636,784
Total	\$ 3,832,443	2,859,289	4,577,444	2,864,261	2,953,105	2,564,234	2,448,867	4,947,910	3,040,412	3,030,341

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Albia, Iowa (City) as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 28, 2020. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Albia Municipal Waterworks and the Fire/Rescue Association of Albia, Iowa.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items I-A-20, I-B-20, I-C-20 and I-E-20 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item I-D-20 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

December 28, 2020

City of Albia
Schedule of Findings
Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

- 1) Cash – reconciling bank accounts, initiating cash receipts and handling and recording cash.
- 2) Investments – detailed record keeping, custody and reconciling.
- 3) Long-term debt – recording and reconciling.
- 4) Receipts – collecting, depositing, posting and reconciling.
- 5) Accounting system – performing all general accounting functions and having custody of City assets.
- 6) Disbursements – preparing checks, signing checks and access to the accounting records.
- 7) Petty cash – custody, reconciling and recording.
- 8) Payroll – recordkeeping, preparation and distribution.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-20 Preparation of Financial Statements

Criteria – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Albia

Schedule of Findings

Year ended June 30, 2020

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion - Response acknowledged.

I-C-20 Financial Reporting

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - Material amounts of receipts and disbursements were not properly recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Cause - City policies do not require and procedures have not been established to require independent review of receipt and disbursement transactions posted to the accounting records to ensure the financial statements are accurate and reliable.

Effect - Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City's financial statements were necessary.

Recommendation - The City should implement procedures to ensure receipts and disbursements are properly recorded in the City's financial statements.

Response - The City will implement this recommendation.

Conclusion - Response acknowledged.

City of Albia
Schedule of Findings
Year ended June 30, 2020

I-D-20 Chart of Accounts

Criteria – An effective internal control system provides for internal controls related to accurate and complete financial reporting.

Condition – The City has not fully implemented the recommended Uniform Chart of Accounts for Iowa City Governments approved by the City Finance Committee.

Cause – City policies and procedures have not been established to require the use of the Uniform Chart of Accounts.

Effect – Not using a uniform chart of accounts could result in inaccurate or incomplete financial reporting.

Recommendation – To provide better financial information and control, the City should establish policies and procedures to require the use of the recommended Uniform Chart of Accounts, or its equivalent.

Response – We will attempt to implement this recommendation.

Conclusion – Response acknowledged.

I-E-20 Monthly Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition – Although monthly bank reconciliations were prepared, the reconciliations did not reconcile with the monthly financial reports. In addition, the bank reconciliations also included reconciling items which should not have been included as reconciling items.

Cause – Policies have not been established and procedures have not been implemented to a complete and accurate bank reconciliation exists of all accounts and investments.

Effect – Lack of accurate bank reconciliations could result in undetected errors or unauthorized activity.

Recommendation – The City should establish procedures to ensure bank and investment account balances are accurately reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Procedures should also be established to ensure all financial reports reconcile and include all City activity.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Albia

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Total budgeted disbursements published in the newspaper was less than the total budgeted disbursements approved by the City Council.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, to ensure the public is informed of the budget, total budgeted disbursements approved by the City Council should not exceed total budgeted disbursements as published in the newspaper.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

- II-B-20 Questionable Disbursements – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
IPERS	Interest	\$ 40

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City of Albia (City) should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – We will review this issue.

Conclusion – Response acknowledged.

- II-C-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-20 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Brian Bell, City Council member, Employee of Goff & Nash	Supplies	\$ 5,973
Linda Heller, City Clerk, Co-Owner, Heller Home & Lawn Maintenance	Landscaping	915

City of Albia

Schedule of Findings

Year ended June 30, 2020

Robert Pistek, City public works employee, son of Joe Pistek, owner of J&K Tire	Equipment repairs	1,040
Scott Kelly, Council member	Website fee	1,800

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions with each individual were less than \$6,000 during the fiscal year.

- II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa
- II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-G-20 City Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not.

Some claims were not approved by the City Council. A summary of all receipts and total expenditures from each city fund were not consistently published in the newspaper. Several claims were not published in the newspaper. Chapter 372.13(6) of the Code of Iowa requires a summary of all receipts, total expenditures from each city fund and council minutes be published in the newspaper within fifteen days of the City Council meeting. In addition, this same Code Section requires that the City Council approve all claims and these claims be published in the newspaper.

The City Council went into closed session at times during the fiscal year. The City Council minutes did not document the vote of each member to go into closed session, as required by Chapter 21.5(2) of the Code of Iowa.

Recommendation - The City should implement procedures to ensure that all claims paid are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund, all claims and a summary of all receipts are included in the newspaper publications. The City should also comply with Chapter 21 of the Code of Iowa in regards to closed sessions.

Response - We will implement these recommendations.

Conclusion - Response acknowledged.

- II-H-20 Deposits and Investments – Through November 2019, the City's investment policy referred to an outdated section of the Code of Iowa.

Other than the above, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

Recommendation – The City should implement procedures to ensure that references used in the investment policy refer to the current sections of the Code of Iowa.

Response – This was corrected in November 2019.

Conclusion – Response acknowledged.

- II-I-20 Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.

City of Albia

Schedule of Findings

Year ended June 30, 2020

- II-J-20 Property/Liability Insurance – The City levies a tax to pay for property and liability insurance coverage. The proceeds of this tax are used to pay all the costs associated with property and liability insurance coverage. The costs incurred by the airport operations for property and liability insurance coverage have been included in the tax levy for property and liability insurance coverage.

Recommendation – Costs incurred for property and liability insurance coverage for the airport operations should be charged to those funds and not be included in the tax levy.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-K-20 Monies Not Collected – It appears the City is owed \$1,250 from individuals for delinquent hangar fees at the airport.

It appears the City of Melrose did not pay the City its Library fee for fiscal years 2017, 2018 and 2020.

Recommendation – The City should implement procedures to ensure all monies due to the City are identified, requested and received on a timely basis.

Response – We will review this and take appropriate action.

Conclusion – Response acknowledged.

- II-L-20 Local Option Sales Tax – The City and County entered into an agreement whereby the County would remit its local option sales tax collections to the City. The City was then to use these funds for the aquatic center costs. Our review noted that it appears that the County still owes two months of local option sales tax receipts to the City, which we estimate would amount to approximately \$70,000.

Recommendation – The City should consult with legal counsel to resolve this matter.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-M-20 Financial Condition – The Special Revenue, Road Use Tax Fund had a deficit balance of \$11,771 at June 30, 2020.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-N-20 Mayor Compensation – The Mayor's compensation was increased in fiscal year 2020 by ordinance number 757. Chapter 372.13 of the Code of Iowa states that the Council shall prescribe the compensation of the Mayor by ordinance. Chapter 380.4 of the Code of Iowa states that passage of an ordinance requires a majority vote of all members of the Council. Ordinance number 757 was passed by 3 members of a 6 member Council. As a result, it does not appear that Ordinance 757 was passed by a majority vote of all members of the Council. Therefore, it is questionable if ordinance number 757 is valid, and whether the Mayor was paid compensation at the correct amount.

City of Albia

Schedule of Findings

Year ended June 30, 2020

In fiscal year 2020 the City passed this same ordinance again, and a majority of the Council approved the ordinance. However, as of June 30, 2020, this ordinance was not in effect since the ordinance was not published. Chapters 380.6 of the Code of Iowa states that an ordinance becomes effective when the ordinance is published. The ordinance passed in fiscal year 2020 in relation to the Mayor's salary was not published.

Recommendation – The City work with the City Attorney to determine the propriety of ordinance number 757 and whether the Mayor was compensated at the correct amount.

Response – We will work with the City Attorney and follow his guidance.

Conclusion – Response acknowledged.

- II-O-20 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all entities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-P-20 Interfund Transfers – During the fiscal year, some interfund transfers were not passed by resolution as required by Iowa Administrative Code Section 545-2.1.

Recommendation – The City should implement procedures to ensure compliance with the State of Iowa requirements in relation to interfund transfers.

Response – This provision was new in fiscal year 2019. We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-Q-20 Disbursements – The City does not obtain invoices from the City Attorney for legal services provided to the City. The City currently pays the health insurance premium for the City Attorney in lieu of paying the City Attorney as an independent contractor for services rendered to the City.

Recommendation – The City should obtain invoices from the City Attorney on a monthly basis.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-R-20 Internal Revenue Service (IRS) Reporting – An instance was noted where this City did not issue an IRS 1099-Misc. form as required.

Recommendation – The City issue 1099-Misc. forms as required.

City of Albia

Schedule of Findings

Year ended June 30, 2020

Response – The vendor missed was an oversight. We will ensure all applicable vendors receive this form in the future.

Conclusion – Response acknowledged.

- II-S-20 Construction Projects – An instance was noted where it appears the City did not obtain competitive bids on a construction project in accordance with the requirements of Chapter 26.3 of the Code of Iowa. In addition, an instance was noted where the City did not publish a notice of public hearing as required by Chapters 26.2 and 362.3 of the Code of Iowa.

For some construction projects, instances were noted where the City did not post the notice to bidders as required by Chapter 26.3 of the Code of Iowa.

An instance was noted where the construction contractor did not post a bond as required by Chapter 573.2 of the Code of Iowa.

Recommendation – The City should implement procedures to ensure competitive bids, notice of public hearing procedures and bond requirements are in compliance with the Code of Iowa on future construction projects.

Response – We will implement this recommendation on future projects.

Conclusion – Response acknowledged.